

Message Text

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PAGE 01 PARIS 09982 01 OF 02 181821Z

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ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15

STR-04 TRSE-00 FRB-03 FEA-01 ARA-06 AF-06 NEA-09 PA-01

PRS-01 USIA-06 EA-06 /122 W
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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8663

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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E.O. 11652: N/A

TAGS: ENRG, FR

SUBJECT: VIEWS OF FRENCH OFFICIAL ON COLLAPSE OF
PREPCON

SUMMARY: INITIAL FRENCH FOREIGN MINISTRY REACTION TO
FAILURE OF PREPCON IS TO MINIMIZE EXTENT OF CHECK, AND
TO SEEK FOR WAYS IN WHICH DIALOGUE MIGHT BE RESUMED.
END SUMMARY.

1. IN THE COURSE OF A LENGTHY DISCUSSION WITH ECON/COM
MIN, FROMENT-MEURICE, BRUNET'S SUCCESSOR AS DIRECTOR OF
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PAGE 02 PARIS 09982 01 OF 02 181821Z

ECONOMIC AFFAIRS, MFA, REVIEWED THE TENTATIVE CONCLU-

SIONS WHICH THE GOF HAD DRAWN FROM THE COLLAPSE (OR "SUSPENSION" AS FROMENT-MEURICE PREFERRED TO PUT IT) OF THE ENERGY PREPCON. FROMENT-MEURICE SAID THE GOF WAS NOT TOO DISCOURAGED ABOUT THE FAILURE OF THE MEETING. HE SAID HE HAD SEEN FAR WORSE INTERNATIONAL CONFERENCES IN HIS DAY -- THE MEETING HAD NOT DEGENERATED INTO BITTER RECRIMINATIONS, AND THERE HAD BEEN, IF NO SIGNIFICANT NARROWING OF DIFFERENCES, AT LEAST A CLEARER UNDERSTANDING BY EACH SIDE OF THE OTHER'S POSITION. FROMENT-MEURICE ATTRIBUTED THE FAILURE OF THE MEETING IN PART TO THE FACT THAT THE INSTRUCTIONS OF THE VARIO US DELEGATIONS WERE EXTREMELY NARROW AND THE DELEGATIONS, BEING COMPRISED OF TECHNICIANS RATHER THAN POLITICAL REPRESENTATIVES, LACKED THE LATITUDE TO GO BEYOND THEIR INSTRUCTIONS.

2. FROMENT-MEURICE SAID THAT, LOOKING AHEAD, THE GOF POSITION WAS BASED ON THE CONVICTION THAT A DIALOGUE BETWEEN PRODUCERS AND CONSUMERS WAS JUST AS NECESSARY AS EVER. THE CURRENT POLICY OF THE GOF, AS CLEARLY STATED BY GISCARD ON APRIL 16 (PARIS 9699) WAS TO MAINTAIN DISCREET CONTACTS WITH THE VARIOUS PARTIES AND TO LOOK FOR OPPORTUNITIES TO RESUME THE DIALOGUE. THIS BEING SAID, FROMENT-MEURICE CONTINUED, THE GOF HAD NO CLEAR IDEA AT THIS POINT AS TO WHERE TO GO FROM HERE. ITS PRESENT DISPOSITION WAS TO LET THE DUST SETTLE WHILE IT PURSUED ITS ANALYSIS OF THE CAUSES OF THE FAILURE OF THE PREPCON.

3. FROMENT-MEURICE NOTED THAT THERE WAS A SCHOOL WHICH ARGUED THAT A PRODUCER/CONSUMER DIALOGUE WAS NOT NECESSARY. ACCORDING TO THIS SCHOOL, MARKET FORCES WERE NOW WORKING IN FAVOR OF THE CONSUMERS AND WOULD SOON DRIVE OIL PRICES DOWN. HE SAID HE COULD NOT AGREE WITH THIS ANALYSIS. IN THE FIRST PLACE, OIL WAS A POLITICAL WEAPON IN THE HANDS OF THE ARABS AND THEY WERE NOT LIKELY TO RELINQUISH IT AS LONG AS THERE WAS NO PEACE SETTLEMENT IN THE MIDDLE EAST. IN THE SECOND PLACE, THE FACTORS WHICH HAD LED TO THE PRESENT SURPLUS OF OIL (RECESSION AND A MILD WINTER) WERE TEMPORARY, LIMITED OFFICIAL USE

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PAGE 03 PARIS 09982 01 OF 02 181821Z

AND IT WAS LIKELY THAT THERE WOULD BE A RETURN TO A SELLER'S MARKET BY THE END OF THE YEAR.

4. FROMENT-MEURICE WENT ON TO SAY THAT THE GOF NOT ONLY BELIEVED THAT THE EFFORT TO GET A DIALOGUE STARTED WAS JUST AS NECESSARY AS EVER, BUT ALSO BELIEVED THAT THE FORM WHICH HAD BEEN ADOPTED SHOULD NOT BE CHANGED (I.E., THE YAMANI FORMULA). HE HAD NO FAITH IN SOME NEW MAGIC

FORMULA THAT MIGHT MAKE IT POSSIBLE TO CIRCUMVENT THE DIFFICULTIES ENCOUNTERED AT THE PREPCON. THIS BEING SAID, HE DID NOT BELIEVE THAT THE DIALOGUE COULD BE RESUMED ON THE SAME BASIS WHICH HAD BEEN ATTEMPTED AT THE PREPCON (I.E., A CONFERENCE RESTRICTED EXCLUSIVELY OR LARGELY TO ENERGY). HE SAID SOME WAY WOULD HAVE TO BE FOUND TO ACCOMMODATE THE INSISTENCE OF THE OPEC AND THE LDC CONSUMERS TO ASSIGN AN IMPORTANT ROLE TO OTHER RAW MATERIALS IN THE CONFERENCE. SOME SKILLFUL DIPLOMATIC FORMULA WOULD ALSO HAVE TO BE FOUND TO DEAL WITH THE PROBLEM OF IEA PARTICIPATION, SINCE THE ANTI-PATHY OF OPEC TO THE IEA WAS A FACT OF LIFE WHICH HAD

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TO BE RECKONED WITH. ECON/COM MIN OBSERVED THAT THE IEA WAS ALSO A FACT OF LIFE WHICH HAD TO BE RECKONED WITH. INDEED, IT WAS A CORNERSTONE OF U.S. ENERGY POLICY. FROMENT-MEURICE HASTENED TO SAY THAT HE WAS NOT SUGGESTING THE CONTRARY, MERELY THAT SOME WAY MUST BE FOUND TO DEAL WITH THE PROBLEM IF THE DIALOGUE WAS TO BE RESUMED.

5. ECON/COM MIN COMMENTED THAT THE GOF HAD SOUGHT TO LIMITED OFFICIAL USE

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PAGE 02 PARIS 09982 02 OF 02 181818Z

PLAY AN INTERMEDIARY ROLE BETWEEN PRODUCERS AND LDC'S ON ONE SIDE AND THE CONSUMERS ON THE OTHER (E.G., GISCARD'S MEETING WITH BOUMEDIENNE). HOWEVER, FRANCE WAS ALSO A CONSUMER, HAD THE SAME INTEREST AS OTHER CONSUMERS IN REDUCING ITS DEPENDENCE ON IMPORTED OIL, AND HAD VOLUNTARILY ASSOCIATED ITSELF WITH THE EFFORTS OF THE EC COUNTRIES, THE U.S. AND JAPAN TO DEVELOP MEANINGFUL PROGRAMS TO THIS END (IN THE MARTINIQUE COMMUNIQUE, INTER ALIA). WHAT EFFECT WAS THE FAILURE OF THE PREPCON LIKELY TO HAVE ON FRENCH POLICY IN THIS AREA?

6. FROMENT-MEURICE SAID THAT CLEARLY THE FAILURE OF THIS FIRST ATTEMPT TO ESTABLISH A DIALOGUE WITH THE PRODUCERS MADE IT MORE NECESSARY THAN EVER TO CONTINUE EFFORTS TO REDUCE CONSUMPTION AND DEVELOP ALTERNATIVE SOURCES OF ENERGY. FRANCE HAD NO INTENTION OF SCRAPPING THE MARTINIQUE AGREEMENT. (FROMENT-MEURICE NOTED THAT AT THE PRESENT TIME WE SEEMED TO BE SUSPENDED SOMEWHERE BETWEEN PHASE TWO AND PHASE THREE OF THE TIMETABLE SET FORTH IN THAT AGREEMENT.) HE SAID THE GOF WOULD CONTINUE TO ASSOCIATE ITSELF WITH THE WORK OF THE CONSUMER COUNTRIES TO REDUCE THEIR DEPENDENCE ON IMPORTED OIL. HE WARNED THAT WE SHOULD EXPECT NO CHANGE IN THE GOF ATTITUDE TOWARD MEMBERSHIP IN THE IEA. ON THE OTHER HAND, HE SAW NO PROBLEM WITH THE GOF'S CONTINUING TO ASSOCIATE ITSELF WITH THE WORK OF THE IEA THROUGH THE THREE PREVIOUSLY AGREED CHANNELS (I.E., THROUGH ITS MEMBERSHIP IN THE EC, THROUGH DIRECT CONTACTS WITH DAVIGNON, AND THROUGH BILATERAL CONTACTS WITH THE U.S.).
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